

NEWS RELEASE: Embargoed until 09:00 (AEDT) 2 May 2019

Business activity stabilises at start of second quarter

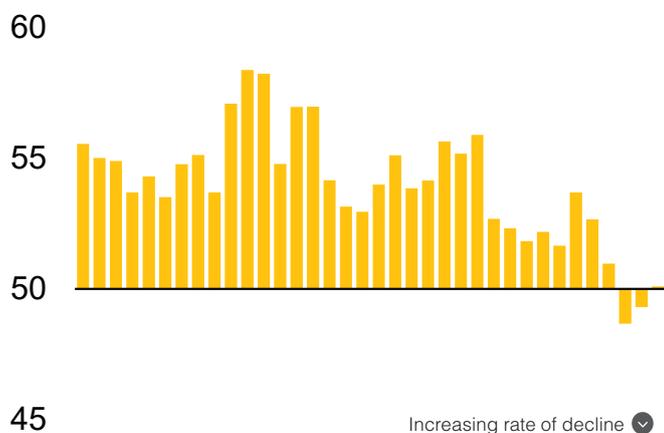
Key findings

Business activity in the Australian service sector stabilised in April, supported by improved demand conditions. New business inflows rose after two months of decline, lifted also by rising service exports. This in turn saw backlogs of work accumulating further while business expectations remained positive. However, employment fell for the first time in the survey history. Meanwhile, inflationary pressure moderated.

Commonwealth Bank Services PMI[®] May 2016 – Apr 2019

(50 = no change on previous month)

Increasing rate of growth 



The headline figure derived from the survey is the Commonwealth Bank of Australia Services Business Activity Index, which is designed to provide timely indications of changes in business activity in the Australian service sector. Readings above 50.0 signal an improvement in business activity on the previous month while readings below 50.0 show deterioration.

The seasonally adjusted Business Activity Index rose from 49.3 in March to 50.1 in April, indicating broadly unchanged output in the sector.

Summary

Business Activity		Interpretation
Apr-19	50.1	Expansion, change of direction
Mar-19	49.3	Contraction, slower rate of decline

Survey data indicated firmer demand at the beginning of the second quarter. Inflows of new business rose for the first time in three months, supported by service export growth. Export sales of Australian services rose further in April and at the fastest rate for eight months. Improved client demand meant that business activity levels stabilised, following a two-month period of decline.

Despite the upturn in demand, firms were reluctant to take on more workers. Net employment fell for the first time since the series started three years ago, albeit only marginally. Higher sales and lower staff numbers contributed to a further accumulation in backlogs of work, reflecting greater pressure on operating capacities in Australia's service sector.

April saw signs of moderating inflationary pressures. Service fees rose only modestly at the start of the second quarter, marking the softest increase in charges since June 2018. While still solid, the rate of cost inflation slowed to a three-month low. Higher business expenses were commonly linked to increased fuel costs, suppliers' price hikes and wage inflation.

Finally, business expectations about overall activity improved in April, with slightly more than half of respondents expecting higher activity in the year ahead. New products, business diversification, planned capital expenditures, new sales strategies and higher growth forecasts all were factors driving optimism.

Commonwealth Bank Composite PMI®

	Output	Interpretation
Apr-19	50.0	No change
Mar-19	49.5	Contraction, slower rate of decline

The Commonwealth Bank Composite Output Index is a GDP-weighted average of the Commonwealth Bank Manufacturing Output Index and the Commonwealth Bank Services Business Activity Index. It is designed to provide a timely indication of changes in business activity in the Australian private sector economy as a whole. Readings above 50.0 signal an improvement in business activity on the previous month, while readings below 50.0 show deterioration.

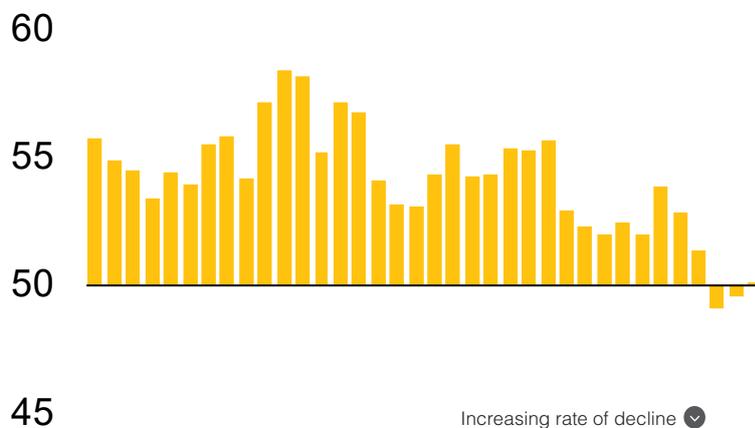
The seasonally adjusted Commonwealth Bank Composite Output Index rose from 49.5 in March to 50.0 in April, signalled an unchanged level of business activity. The latest reading reflected softer growth in manufacturing and a stagnating service sector.

Commonwealth Bank Composite PMI®

May 2016 – Apr 2019

(50 = no change on previous month)

Increasing rate of growth 



Increasing rate of decline 

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About Commonwealth Bank Services PMI[®] and the Purchasing Managers' Index[™] Report

The Commonwealth Bank has commissioned IHS Markit to conduct research and provide insights for this edition of the Commonwealth Bank Services PMI through the Purchasing Managers' Index Report. The Commonwealth Bank Services PMI is based on data compiled from monthly replies to questionnaires sent to a representative panel of purchasing executives in over 400 private sector services firms in Australia. The panel is stratified by GDP and company workforce size. The services sector is divided into the following five broad categories: Transport & Storage, Consumer Services, Information & Communication, Finance & Insurance and Real Estate & Business Services.

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